

Testimony of the Massachusetts Affordable Housing Alliance on the proposed merger
between Fleet and BankBoston

July, 7 1999

The question before you today is, Should the Federal Reserve Board approve the merger of BankBoston and Fleet? Everyone in this auditorium knows the Fed *will* approve this merger. The Fed almost *always* approves mergers whether or not they benefit consumers. So let us suggest a different question. Will the Fed use its power to require an aggressive, detailed Community Reinvestment Act agreement from Fleet and BankBoston? Will the Fed *insist* that low income communities be better served after this merger than they are now?

My name is Sonia Alleyne and I am here today representing the Massachusetts Affordable Housing Alliance. We are a statewide non-profit organization working to increase public and private sector investment in affordable housing. Our campaigns since 1985 have resulted in over \$2.2 billion of commitments to lower income neighborhoods throughout the Commonwealth. Our grassroots Homebuyers Union, based in Dorchester, has negotiated CRA agreements with ten area banks, including Fleet and BankBoston, for over \$500 million in below market mortgage commitments since 1990.

Fleet and BankBoston have a tremendous opportunity to create the best urban community bank in the country. And the Federal Reserve can help them get there. From Camden, NJ to Rochester, NY to Hartford, CT, Fleet is smack dab in the middle of some of our nation's most challenging urban issues. In Massachusetts, Fleet has a chance to go much further in developing a model for true bank/community partnerships. Fleet's history in Massachusetts has been decidedly mixed. Fleet has demonstrated an ability to pump out low cost mortgages to lower income first time homebuyers. Indeed, Fleet and BankBoston have been the leading lenders in the state's most affordable mortgage product, the soft second first time homebuyers program. On May 12 of this year, Fleet and BankBoston pledged to make 1100 of these mortgages in Boston before 1200 community residents at a MAHA meeting in the Reggie Lewis Athletic Center in Roxbury. Yet, as UMass professor Jim Campen points out in his recent study, Fleet has fallen far short of meeting the goal of $1+1=2$ in mortgage lending to minority and low and moderate income borrowers –after their merger with Shawmut Bank in 1995. We have asked Fleet to commit to another 1500 soft second mortgages outside of Boston over the next five years. If they do this, $1+1$ will be greater than 2 in this program which boasts lower than normal delinquency rates and saves homebuyers up to \$200 a month.

Fleet should build on the success of BankBoston, which has shown the country how to make an urban branch network profitable through its First Community Bank. Fleet must

challenge all of its executives to add innovation and flexibility to their game plan in urban neighborhoods. BankBoston during its merger with BayBank made an impressive statement about innovation when they agreed to convert their \$90 million loan commitment to the Massachusetts Housing Partnership to a \$10 million equity contribution. For the past year and a half, Fleet has looked at this possibility but ultimately rejected it. Now Fleet has another chance. This merger will result in a loan commitment of somewhere between \$300 and \$600 million to MHP. In today's market, developers *need more equity*. Fleet can help solve the equity gap. And the Federal Reserve can help them get there.

Fleet and BankBoston can welcome lower income customers instead of driving them into the greedy arms of check cashers. The Massachusetts Community and Banking Council has developed the "Basic Banking for Massachusetts" program, which established minimum criteria for qualifying low cost checking and savings accounts. Both Fleet and BankBoston participate in the program but more needs to be done. It is not enough to just *have* the account, you must *market* it. Fleet should build on the success of the marketing campaign done by BayBank in 1994-95 and make a commitment to open 42,000 new Basic Banking accounts for low income consumers in Massachusetts over the next two years. Fleet *can* do this and the Federal Reserve can help them get there.

Fleet and BankBoston can create a new model for mega-mergers. Fleet did *not* use its press conference on March 15, 1999 to hype a multi-billion CRA plan that would have been meaningless and hopelessly short on details, as other banks have done. Fleet then decided to meet with 125 community groups in 30 days to listen to suggestions from community based organizations. Last week, however, Fleet unveiled to community groups a \$14.6 billion plan that *was* short on details. Yesterday, Fleet filled in some, but not all, of those details. It is still a work in progress. Fleet has listened to some of our concerns. But Fleet's work is not done. We join other groups throughout the Northeast in asking the Federal Reserve Bank to extend the comment period for a period of two weeks from the date on which Fleet delivers its final plan to community groups.

Fleet needs to make a statement to community groups and others that bigger *can* be better. This agreement should push Fleet to do more. Fleet should ensure that one plus one is greater than two, as stated by Terry Murray and Chad Gifford when they announced the merger on March 15. And Fleet and community groups should demand and expect mutual accountability. You can help us get them there.

Do not approve this merger until or unless Fleet agrees to sign a detailed, verifiable CRA agreement that meets the needs identified by the community organizations throughout the Northeast. Fleet can do this and the Fed can too.

Urban Edge

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Testimony Regarding Proposed Fleet-BankBoston Merger
Federal Reserve Bank of Boston, July 7, 1999
Rita Gonzales Levine, Chairperson, Board of Directors
Mossik Hacobian, Executive Director

Thank you for the opportunity to testify regarding the proposed merger between Fleet and BankBoston. This testimony is informed by recent meetings and conversations with representatives of the two banks and includes initial reactions to a document we received recently entitled "Community Commitment: A proposal for the Fleet Boston Transaction" dated June 22, 1999.

As we will detail later, both Fleet and BankBoston have been strong partners for Urban Edge during the past several years. In fact, Urban Edge's history goes back nearly 25 years with both banks if we include banks that have merged with or been acquired by Fleet and BankBoston. Urban Edge's success of the past 10-15 years would have been impossible without the strong partnership with Fleet and BankBoston.

We ask for your support for the following four requests that we have made to Fleet and Bank Boston in our recent meetings with their representatives:

1. We must monitor the impact of the Fleet Boston merger on Boston's neighborhoods and ensure that the City and its neighborhoods gain and not lose ground. We must work together to determine the best indicators for this effort and we must have a way of measuring and reporting the impact credibly and consistently over time.
2. We urge that there be a written agreement between Fleet Boston and coalitions of community groups and public sector entities. Urban Edge is a signatory to the proposal submitted to Fleet and BankBoston by MACDC, MAHA and ONE. An agreement or a comparable written statement is important for several reasons. First, an agreement will clearly articulate the commitments being made by the banks. Second, it will provide details to be monitored and if necessary adjusted over time. Third, with the possibility that the new bank may itself merge with another bank in the future, commitments contained in a written agreement have a greater likelihood of surviving future bank consolidations.
3. We urge that the commitment of the merged bank to the Mass. Housing Partnership Fund be converted to equity. There is a critical need for resources to produce or preserve affordable rental housing in Boston and throughout Massachusetts. With reductions in federal and state rent subsidies, we find it difficult to use loan capital for affordable rental housing production. The estimated \$30 to \$50 million in equity that the proposed merger could yield would go a long way to help meet the urgent affordable housing needs of Boston and its neighborhoods.

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4. We ask that the Egleston Square branch of Fleet Bank remain with Fleet Boston and be exempt from divestiture. We urge that Fleet and BankBoston branches that were established as a result of negotiations with the Community Investment Coalition (CIC) be considered in a special category of branches. Two of these branches are located in Urban Edge's service area. We are pleased that the BankBoston branch in Hyde Square will continue to operate as part of the Fleet Boston system.

The Fleet branch in Egleston Square is the first bank branch ever in this neighborhood and was opened by Fleet as part of the commitment to take over Bank of New England. The Egleston Center development made possible by the Fleet commitment to open this branch led to considerable economic development in the Egleston Square area. With the sale of this branch, Fleet Boston risks sending a message to the community that its needs are not as important anymore. We believe this is not the intention of either bank. We are told that it is a regulatory requirement.

If the branch must be sold, we urge that the purchasing bank be required to commit to continue to operate the branch and continue the important position the Fleet branch has gained in the community during the past seven years.

Community Commitment dated June 22, 1999

We received copy of an outline document detailing a \$14.6 billion commitment to a series of community development programs and initiatives. We look forward to additional details to properly assess the potential impact of these commitments on Boston's neighborhoods. We have the following questions and will evaluate the responses as soon as we receive them:

1. How do these commitments compare to what the banks are currently doing in these same areas and would likely have continued to do individually? Is there likely to be a net gain, loss or no change?
2. How will these commitments be monitored and reported? What opportunity will community groups have to make adjustments to the implementation of these commitments based on the actual experience of the coming years?
3. During a briefing session on Friday, June 25th we were given a new definition of the initial Fleet and Bank Boston statement that as a result of their merger "one plus one will equal greater than two". The interpretation being offered now is that what is meant by this statement is that commitments by Fleet, BankBoston *and the incoming bank together* would "equal more than two". This may be a more practical explanation, but it requires a more complicated implementation strategy and monitoring process. If we are to rely on an incoming bank's commitments to meet community goals, we must have a way of quantifying and monitoring these commitments on a parallel track with the Fleet Boston commitments. Furthermore, to monitor these two sets of commitments as a package, we must have a means of adjusting them relative to one another over time. We ask that you require Fleet Boston and the incoming bank or banks commit to such an effort.

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4. How do these substantial multi-year commitments translate into commitments by state, city and inner city and rural areas? How many affordable housing mortgages will be made in Massachusetts for example? How many small business loans will be available in Boston?
5. Will these commitments be binding on any new banks that may merge with or acquire Fleet Boston in the future?

Fleet and BankBoston history of support for Urban Edge

Urban Edge has benefited from the support of Fleet (including Shawmut and Bank of New England) and BankBoston (including BayBank) for nearly 25 years. Just a few examples illustrate the depth and quality of their support.

The Fleet commitment to open a branch in Egleston Square in 1992 kicked off a significant economic revitalization effort in this area. The opening of the first ever bank branch in Egleston Square not only made possible the development of Egleston Center but also led to a steady development of the area.

Fleet Bank's continued commitment to Urban Edge's Youth Center located in Egleston Square has made possible the growth of an important youth facility serving the community. The building houses the YMCA Youth Center, ESAC, the Greater Egleston Community High School and until recently some of Urban Edge's own offices. Urban Edge acquired the building from Shawmut Bank at a below market price and with favorable financing terms. Fleet's ongoing support has enabled Urban Edge to continue to facilitate expanded youth programming in this building.

BankBoston was the only bank willing to provide financing that made possible nearly 15 years ago Urban Edge's acquisition and renovation of its main offices at 2010 Columbus Ave.

BankBoston provided the most grant funds to the CDC Tax Credit Collaborative, an initiative involving seven CDCs coordinated by Urban Edge. Together, BankBoston's \$625,000 grant, Fleet's \$200,000 grant and the BayBank (now BankBoston) \$200,000 loan, account for more than 50% of the \$2 million fund. We anticipate that the former BayBank loan will be converted into a grant in the coming months. This fund has made possible investments and loans by the member CDCs that have helped start and grow businesses in their neighborhoods.

Both banks have been leaders in the creation and ongoing operations of the Metropolitan Boston Housing Partnership (MBHP). Support by Fleet and BankBoston has enabled Urban Edge and other CDCs to produce and preserve thousands of units of affordable housing in the Greater Boston region.

Based on this history of effective collaboration and partnership, we are confident that we can work with the new combined Fleet Boston to achieve even more successes for our community. Also based on our history, we know that clear and measurable commitments and binding agreements are key to such success.

TESTIMONY ON FLEET/BANK/BOSTON MERGER

Cathy Malmstrom, CRA Organizer

New Jersey Citizen Action

Wednesday, July 7, 1999

New Jersey Citizen Action (NJCA) is the state's largest consumer watchdog coalition with 90 affiliate organizations and 60,000 individual and family members. I won't name all our affiliates, but just to give you an idea of the range of interests my testimony represents this morning, let me name at least twenty: Black Urban Alliance, United Senior Alliance, YWCA State Council, Older Women's League, Paterson Task Force for Community Action, Ironbound Community Corp., 11 locals of Communications Workers of America, NJ Industrial Union Council, St. Matthew A.M.E. Church, White Lung Association, Hudson County Resource Center, National Housing Institute, New Directions, Gray Panthers of North Jersey and South Jersey, INCCA for Housing, Community Urban Renewal Enterprise, L.I.F.T. and the Union of American Hebrew Congregations, North Hudson Community Action Program. NJCA has negotiated written CRA agreements with 28 banks across the state including the largest and smallest institutions. As a result of these agreements, more than \$8B has been set aside for below market interest mortgages and home improvement loans for low and moderate income families, loans to non-profit developers for construction and permanent financing, and loans to small businesses owned by women and minorities in low and moderate income areas.

Through 16 loan counseling offices located in urban areas throughout New Jersey, Citizen Action offers free loan counseling to low and moderate income first-time homebuyers, as well as home improvement counseling. Two of these offices are co-sponsored by Fleet Bank. In order to help banks

reach targeted populations, Citizen Action has worked with banks to develop and help market special products such as loans for lead abatement and disabilities access remodeling

Because Fleet Bank has not been particularly forthcoming with regard to its overall CRA pledge and has given no indication of what portion of its overall pledge will be allocated to the state of New Jersey, New Jersey Citizen Action is requesting that the public comment period on this merger be extended 2 weeks from the day that Fleet submits a final and specific pledge. Moreover, we request that merger approval be denied unless the CRA loan and investment commitment of the merged bank is greater than the current level of CRA loans and investments of the two separate banks. When two powerful banks merge, the resulting synergy creates an entity more powerful than the sum of its parts. Nevertheless, the record has shown that big bank mergers often result in *lower* levels of lending to low and moderate income communities than before the merger. To assure that low and moderate income communities are not harmed by this merger, there must be a public pledge to increase the commitment to the community by more than the sum of the two entities' previous investments. One plus one must equal more than two.

Fleet Bank rose to prominence in New Jersey with the 1996 acquisition of NatWest, a bank with an excellent record of commitment to low and moderate income communities in this state. At that time Fleet made a CRA commitment of \$502.5 million to New Jersey. Fleet is currently the fourth largest bank in the state, but has had to struggle to bring up its level of

lending to low and moderate income communities. In 1995, Fleet, Shawmut and NatWest were all actively lending to all single family borrowers in New Jersey. Combined, they issued a total of 5,344 loans. By the end of 1997, more than a year after Fleet had acquired both banks, Fleet Bank made only 3,572 loans to single families in New Jersey. Lending to Black and Hispanic households had decreased by 32% and 29% respectively, and loans to low- and moderate income borrowers and census tracts had decreased about 40%.

During that time, communication between New Jersey and Fleet's home bases in Boston and New Providence had more static and was less frequent than that between the planet Naboo and the Imperial City on the planet Coruscant. We sent out signals, but got no help. Fleet's New Jersey CRA staff had little authority of their own and lines between our outpost and home base often seemed to be down. Since September 1996 New Jersey Citizen Action, has had a letter of understanding with Fleet which we consider to be an agreement, as it contains specific loan products and lending goals for New Jersey. Fleet Bank has already indicated it will not renew this letter when it expires because the expiration will occur before the merger is completed. During the past year the bank has made some progress in meeting the goals of this agreement, but only with lots of hard work, guidance and direct participation of community organizations. The bank put together a new team and seems to be moving forward but it took almost two years to get a strong program underway. Because there was a New Jersey plan up and running we were finally able to get Fleet to pay attention to the people in our state and figure out how to serve them. Considering the history, we are very